

110TH CONGRESS
1ST SESSION

S. 985

To establish a pilot program to provide low interest loans to nonprofit, community-based lending intermediaries, to provide midsize loans to small business concerns, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 26, 2007

Mr. LEVIN introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

A BILL

To establish a pilot program to provide low interest loans to nonprofit, community-based lending intermediaries, to provide midsize loans to small business concerns, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Inter-
5 mediary Lending Pilot Program Act of 2007”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) Small and emerging businesses, particularly
2 startups and businesses that lack sufficient or con-
3 ventional collateral, continue to face barriers access-
4 ing midsize loans in amounts between \$35,000 and
5 \$200,000, with affordable terms and conditions.

6 (2) Consolidation in the banking industry has
7 resulted in a decrease in the number of small, locally
8 controlled banks with not more than \$100,000,000
9 in assets and has changed the method by which
10 banks make small business credit decisions with—

11 (A) credit scoring techniques replacing re-
12 lationship-based lending, which often works to
13 the disadvantage of small or startup businesses
14 that do not conform with a bank's standardized
15 credit formulas; and

16 (B) less flexible terms and conditions,
17 which are often necessary for small and emerg-
18 ing businesses.

19 (3) In the environment described in paragraphs
20 (1) and (2), nonprofit intermediary lenders, includ-
21 ing community development corporations, provide fi-
22 nancial resources that supplement the small business
23 lending and investments of a bank by—

24 (A) providing riskier, up front, or subordi-
25 nated capital;

1 (B) offering flexible terms and under-
2 writing procedures; and

3 (C) providing technical assistance to busi-
4 nesses in order to reduce the transaction costs
5 and risk exposure of banks.

6 (4) Several Federal programs, including the
7 Microloan Program under section 7(m) of the Small
8 Business Act (15 U.S.C. 636(m)) and the Inter-
9 mediary Relending Program of the Department of
10 Agriculture, have demonstrated the effectiveness of
11 working through nonprofit intermediaries to address
12 the needs of small business concerns that are unable
13 to access capital through conventional sources.

14 (5) More than 1,000 nonprofit intermediary
15 lenders in the United States are—

16 (A) successfully providing financial and
17 technical assistance to small and emerging busi-
18 nesses;

19 (B) working with banks and other lenders
20 to leverage additional capital for their business
21 borrowers; and

22 (C) creating employment opportunities for
23 low income individuals through their lending
24 and business development activities.

1 **SEC. 3. SMALL BUSINESS INTERMEDIARY LENDING PILOT**
 2 **PROGRAM.**

3 (a) IN GENERAL.—Section 7 of the Small Business
 4 Act (15 U.S.C. 636) is amended by inserting after sub-
 5 section (k) the following:

6 “(l) SMALL BUSINESS INTERMEDIARY LENDING
 7 PROGRAM.—

8 “(1) DEFINITIONS.—In this subsection—

9 “(A) the term ‘intermediary’ means a pri-
 10 vate, nonprofit entity that seeks to borrow, or
 11 has borrowed, funds from the Administrator to
 12 provide midsize loans to small business con-
 13 cerns under this subsection, including—

14 “(i) a private, nonprofit community
 15 development corporation;

16 “(ii) a consortium of private, non-
 17 profit organizations or nonprofit commu-
 18 nity development corporations;

19 “(iii) a quasi-governmental economic
 20 development entity (such as a planning
 21 and development district), other than a
 22 State, county, or municipal government;
 23 and

24 “(iv) an agency of or nonprofit entity
 25 established by a Native American Tribal
 26 Government;

1 “(B) the term ‘midsize loan’ means a fixed
2 rate loan of not less than \$35,000 and not
3 more than \$200,000, made by an intermediary
4 to a startup, newly established, or growing
5 small business concern; and

6 “(C) the term ‘Program’ means the 3-year
7 small business intermediary lending pilot pro-
8 gram established under paragraph (2).

9 “(2) ESTABLISHMENT.—There is established a
10 3-year small business intermediary lending pilot pro-
11 gram, under which the Administrator may provide
12 direct loans to eligible intermediaries, for the pur-
13 pose of making fixed interest rate midsize loans to
14 startup, newly established, and growing small busi-
15 ness concerns.

16 “(3) PURPOSES.—The purposes of the Program
17 are—

18 “(A) to assist small business concerns in
19 those areas suffering from a lack of credit due
20 to poor economic conditions;

21 “(B) to create employment opportunities
22 for low income individuals;

23 “(C) to establish a midsize loan program
24 under which the Administrator may provide
25 loans to eligible intermediaries to enable such

intermediaries to provide midsize loans, particularly loans in amounts averaging not more than \$150,000, to startup, newly established, or growing small business concerns for working capital or the acquisition of materials, supplies, or equipment;

“(D) to test the effectiveness of intermediaries—

“(i) as a delivery system for a midsize loan program; and

“(ii) in addressing the credit needs of small businesses and leveraging other sources of credit; and

“(E) to determine the advisability and feasibility of implementing a midsize loan program nationwide.

“(4) ELIGIBILITY FOR PARTICIPATION.—An intermediary shall be eligible to receive loans under the Program if that intermediary has not less than 1 year of experience making loans to startup, newly established, or growing small business concerns.

“(5) LOANS TO INTERMEDIARIES.—

“(A) APPLICATION.—Each intermediary desiring a loan under this subsection shall sub-

1 mit an application to the Administrator that de-
2 scribes—

3 “(i) the type of small business con-
4 cerns to be assisted;

5 “(ii) the size and range of loans to be
6 made;

7 “(iii) the geographic area to be served
8 and its economic, poverty, and unemploy-
9 ment characteristics;

10 “(iv) the status of small business con-
11 cerns in the area to be served and an anal-
12 ysis of the availability of credit; and

13 “(v) the qualifications of the applicant
14 to carry out this subsection.

15 “(B) LOAN LIMITS.—Notwithstanding sub-
16 section (a)(3), no loan may be made to an
17 intermediary under this subsection if the total
18 amount outstanding and committed to the
19 intermediary from the business loan and invest-
20 ment fund established by this Act would, as a
21 result of such loan, exceed \$1,000,000 during
22 the participation of the intermediary in the Pro-
23 gram.

1 “(C) LOAN DURATION.—Loans made by
2 the Administrator under this subsection shall be
3 for a maximum term of 20 years.

4 “(D) APPLICABLE INTEREST RATES.—
5 Loans made by the Administrator to an inter-
6 mediary under the Program shall bear an an-
7 nual interest rate equal to 1.00 percent.

8 “(E) FEES; COLLATERAL.—The Adminis-
9 trator may not charge any fees or require col-
10 lateral with respect to any loan made to an
11 intermediary under this subsection.

12 “(F) LEVERAGE.—Any loan to a small
13 business concern under this subsection shall not
14 exceed 75 percent of the total cost of the
15 project funded by such loan, with the remaining
16 funds being leveraged from other sources, in-
17 cluding—

18 “(i) banks or credit unions;

19 “(ii) community development financial
20 institutions; and

21 “(iii) other sources with funds avail-
22 able to the intermediary lender.

23 “(G) DELAYED PAYMENTS.—The Adminis-
24 trator shall not require the repayment of prin-
25 cipal or interest on a loan made to an inter-

mediary under the Program during the 2-year period beginning on the date of the initial disbursement of funds under that loan.

“(6) PROGRAM FUNDING FOR MIDSIZE LOANS.—

“(A) NUMBER OF PARTICIPANTS.—Under the Program, the Administrator may provide loans, on a competitive basis, to not more than 20 intermediaries.

“(B) EQUITABLE DISTRIBUTION OF INTERMEDIARIES.—The Administrator shall select and provide funding under the Program to such intermediaries as will ensure geographic diversity and representation of urban and rural communities.

“(7) REPORT TO CONGRESS.—

“(A) INITIAL REPORT.—Not later than 30 months after the date of enactment of the Small Business Intermediary Lending Pilot Program Act of 2007, the Administrator shall submit a report containing an evaluation of the effectiveness of the Program to—

“(i) the Committee on Small Business and Entrepreneurship of the Senate; and

1 “(ii) the Committee on Small Busi-
2 ness of the House of Representatives.

3 “(B) ANNUAL REPORT.—Not later than 12
4 months after the date of enactment of the
5 Small Business Intermediary Lending Pilot
6 Program Act of 2007, and annually thereafter,
7 the Administrator shall submit a report con-
8 taining an evaluation of the effectiveness of the
9 Program to the Committees described in sub-
10 paragraph (A).

11 “(C) CONTENTS.—The reports submitted
12 under subparagraphs (A) and (B) shall in-
13 clude—

14 “(i) the number and location of the
15 intermediaries receiving funds to provide
16 midsize loans under this subsection;

17 “(ii) the amounts of each loan to an
18 intermediary under this subsection;

19 “(iii) the number and amount of
20 midsize loans made by intermediaries to
21 small business concerns under this sub-
22 section;

23 “(iv) the repayment history of each
24 intermediary receiving a loan under this
25 subsection;

1 “(v) a description of the loan portfolio
 2 of each intermediary receiving a loan under
 3 this subsection, including the extent to
 4 which it provides midsize loans to small
 5 business concerns in rural and economi-
 6 cally depressed areas;

7 “(vi) an estimate of the number of low
 8 income individuals who have been em-
 9 ployed as a direct result of the Program;
 10 and

11 “(vii) any recommendations for legis-
 12 lative changes that would improve the op-
 13 eration of the Program.”.

14 (b) RULEMAKING AUTHORITY.—Not later than 180
 15 days after the date of enactment of this Act, the Adminis-
 16 trator shall issue regulations to carry out section 7(l) of
 17 the Small Business Act, as added by subsection (a).

18 (c) AUTHORIZATION OF APPROPRIATIONS.—

19 (1) IN GENERAL.—There are authorized to be
 20 appropriated to the Small Business Administration
 21 such sums as may be necessary for each of the fiscal
 22 years 2008 through 2010 to provide \$20,000,000 in
 23 loans under section 7(l) of the Small Business Act,
 24 as added by subsection (a).

1 (2) AVAILABILITY.—Any amounts appropriated
2 under paragraph (1) shall remain available until ex-
3 pended.

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